



***United States Attorney
Southern District of New York***

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**U.S. CHARGES FORMER BANK OF CHINA EMPLOYEE AND TWO
OTHERS WITH DEFRAUDING BANK OF MORE THAN \$25 MILLION**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that JOHN CHOU, SHERRY LIU and PATRICK YOUNG - a former account manager at the Bank of China, New York Branch - were arrested today in connection with a scheme to defraud the Bank of China, New York Branch, out of more than \$25 million.

According to an Indictment unsealed today in Manhattan federal court, CHOU and LIU, who are married, controlled a number of corporate entities ("the CHOU/LIU companies") and purportedly engaged in, among other things, the metal trading business. Between 1991 and 2000, the CHOU/LIU companies obtained extensive lines of credit from the Bank of China which allowed them to borrow money through various means, including through the opening of documentary letters of credit. According to the Indictment, such letters are instruments commonly used in international trade

transactions that allow a shipper of goods to obtain payment from the bank by presenting certain documents (typically including a transportation document (e.g., a bill of lading), a commercial invoice, a packing list and an inspection certificate).

The Indictment charges that from at least October 1991 and up to about July 2002, CHOU, LIU and YOUNG executed a scheme to defraud the Bank of China by inducing the Bank to pay the beneficiaries of letters of credit and to extend other financing for international trade transactions that never took place. The Indictment charges that CHOU and LIU created fraudulent trade documents to make it appear that the CHOU/LIU companies were purchasing goods from overseas. The Indictment charges that CHOU and LIU used money obtained with the fraudulent trade documentation to extend loans to their other businesses and to enrich themselves and their family.

The Indictment charges that, because the Bank of China was issuing only short term loans to the CHOU/LIU companies, CHOU and LIU repeatedly presented fraudulent documents to induce the Bank of China to extend additional short term loans for nonexistent trade transactions. CHOU and LIU allegedly used the proceeds of later short term loans to pay back older short term loans. In addition, according to the Indictment, CHOU and LIU asked the Bank of China to increase their credit lines and to open new credit facilities for additional CHOU/LIU companies. The Indictment

charges that, when this Ponzi scheme collapsed and the CHOU/LIU companies defaulted on their loans, they owed the Bank of China more than \$25 million.

The Indictment charges that between 1994 and 1999, PATRICK YOUNG was the Bank of China, New York Branch's account manager for the various CHOU/LIU companies. YOUNG prepared numerous memoranda recommending extensions and increases in the credit lines of the CHOU/LIU companies. The Indictment charges that in some of these memoranda, YOUNG deliberately misstated the collateral securing the credit lines by stating that the credit lines were secured by first mortgages on certain properties. In fact, the Indictment charges that YOUNG had previously executed documents that subordinated these mortgages to mortgages held by another lender.

The Indictment also charges that in August 1996, CHOU and LIU paid a \$120,000 bribe to YOUNG in connection with YOUNG's handling of lines of credit issued by the Bank of China, New York Branch to CHOU and LIU's businesses.

The Indictment charges CHOU, LIU and YOUNG with one count of conspiracy and one count of bank fraud. In addition, CHOU and LIU are charged with one count of bribery of a bank employee, and YOUNG is charged with one count of accepting a bribe.

If convicted, CHOU, LIU and YOUNG face a maximum sentence

of 5 years in jail and a \$250,000 fine or twice the gross gain or loss from the offense on the conspiracy count; and a maximum sentence of 30 years in jail and a \$1 million fine on the bank fraud and bank bribery counts.

CHOU, LIU, and YOUNG were arrested earlier today and are scheduled to be arraigned in Manhattan federal court later today. The case was assigned to United States District Judge GERARD E. LYNCH.

CHOU, 43, and LIU, 44, reside in Alpine, New Jersey. YOUNG, 46, resides in Massapequa, New York.

Mr. KELLEY praised the efforts of the FBI, which conducted the investigation. Mr. KELLEY is a member of the President's Corporate Fraud Task Force.

Assistant United States Attorney ANDREW L. FISH is in charge of the prosecution.

The charges announced in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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